

F&G Life Re Ltd.

Financial Condition Report

For the year ended December 31, 2020

Table of Contents

1.	Company background information	4
2.	Business and performance	5
3.	Governance structure	6
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3.1.	Board and senior executives	6
3.1.1.	Roles and responsibilities	6
3.1.2.	Remuneration policy	7
3.1.3.	Supplementary pension or early retirement schemes	7
3.1.4.	Material transactions with key personnel	7
<hr/>		
3.2.	Fitness and propriety requirements	7
3.3.	Risk management and solvency self-assessment	8
3.4.	Internal controls	9
3.5.	Internal audit	9
3.6.	Actuarial function	10
3.7.	Outsourcing	10
<hr/>		
4.	Risk profile	11
5.	Solvency valuation	12
6.	Capital management	13
<hr/>		
6.1.	Eligible capital	13
6.1.1.	Capital management policy and processes	13
6.1.2.	Eligible capital categorized by Eligible Capital Rules	13
6.1.3.	Transitional arrangements under the Eligible Capital Rules	13
6.1.4.	Factors affecting availability and transferability of capital	13
6.1.5.	Ancillary capital instruments approved by the authority	13
6.1.6.	Differences in shareholder's equity in financial statements vs available capital and surplus	13
<hr/>		
6.2.	Regulatory capital requirements	14
6.2.1.	ECR and Minimum Margin of Solvency at the end of the reporting period	14
6.2.2.	Non-compliance with the Minimum Margin of Solvency and the ECR	14
6.2.3.	Non-compliance, remedial measures taken and their effectiveness	14
6.2.4.	Description of the amount of the non-compliance at the end of the reporting period	14
<hr/>		
6.3.	Approved internal capital model used to derive the ECR	14
6.3.1.	Purpose and scope of the business risk areas where the internal model is used	14
6.3.2.	Partial internal model and integration with the BSCR model	14

6.3.3.	Description of methods used in the internal model to calculate the ECR	14
6.3.4.	Description of aggregation methodologies and diversification effects	14
6.3.5.	Differences in methods and assumption used in internal model vs BSCR model	15
6.3.6.	Description of the nature and suitability of the data used in the internal model	15
6.3.7.	Any other material information	15
<hr/>		
7.	Significant events	16
8.	Appendices	17
<hr/>		
8.1.	Group structure	17
8.2.	Performance of investments by asset class	18
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1. Company background information

F&G Life Re Ltd. (the “Company”) was incorporated in Bermuda on August 24, 2017 and licensed as a Class C Insurer by the Bermuda Monetary Authority to write Long-Term reinsurance on October 19, 2017. The Company is a wholly owned subsidiary of Fidelity & Guaranty Life Insurance Company (“FGLIC”), an Iowa corporation. The Company entered into a reinsurance transaction (“the Reinsurance Transaction”) whereby it assumed approximately \$5 billion of FGLIC’s fixed indexed annuity business on a funds withheld coinsurance basis. F&G Life Re retrocedes this business on a funds withheld coinsurance basis to a rated Cayman Class D reinsurer, F&G Cayman Re Ltd. (“F&G Cayman Re”). The Reinsurance Transaction became effective December 31, 2020. The companies involved in the Reinsurance Transaction are subsidiaries of F&G Annuities & Life, Inc. (“F&G Group”).

On June 1, 2020, F&G Group was acquired by Fidelity National Financial Inc. (“FNF”), a Fortune 500 company listed on the NYSE. FNF and its subsidiaries are regulated by the Florida Office of Insurance Regulation and the New York Department of Financial Services.

The Company’s financial condition report (the “Report”) has been prepared in accordance with Section 6A(1)(e) of the Insurance Act 1978 (the “Act”) discussing Prudential Standards relating to Public Disclosures, and the Insurance (Public Disclosure) Rules 2015 (the “Rules”).

2. Business and performance

Name of insurer	F&G Life Re Ltd
Name and contact details of the insurance supervisor and group supervisor	Bermuda Monetary Authority BMA House 43 Victoria Street Hamilton Bermuda
Name and contact details of the approved auditor	Ernst & Young Ltd. 3 Bermudiana Road Hamilton HM 08 Bermuda
Description of the ownership details including proportion of ownership interest	FGLIC (sole shareholder)
Where the insurer is part of a group, a group structure chart showing where the insurer fits within the group structure	See appendix 8.1
Insurance business written by business segment and by geographical region during the reporting period	Not applicable
Performance of investments, by asset class and details on material income and expenses incurred during the reporting period	See appendix 8.2
Acquisitions of subsidiaries	Not applicable
Any other material information	Refer to section 7. Significant events

3. Governance structure

3.1. Board and senior executives

3.1.1. Roles and responsibilities

The Company's business is managed under the supervision of its Board of Directors. The Board of Directors is responsible for strategic and material operational decisions and implementation of the Company. The Board of Directors is also responsible for providing oversight for the Company's corporate governance, risk management, and internal controls framework.

The Board of Directors consists of 3 members:

- (i) Christopher O. Blunt, President and Chief Executive Officer of F&G Group;
- (ii) John T. Fleurant, Chief Financial Officer of F&G Group; and
- (iii) Wendy J.B. Young, Chief Executive Officer of F&G Life Re.

President and Chief Executive Officer of F&G Group – Christopher O. Blunt

Christopher O. Blunt joined F&G Group as Chief Executive Officer and President in January 2019. Mr. Blunt previously served as a Senior Managing Director and Chief Executive Officer of Blackstone Insurance Solutions, beginning in January 2018. Before joining Blackstone Insurance Solutions, Mr. Blunt served in a variety of senior leadership positions with New York Life from 2004 to 2017. During his tenure at New York Life, Mr. Blunt served as the President of New York Life's Investment Group and prior to that, as Co-President of the Insurance and Agency Group, which included the company's U.S. Life Operations, Seguros Monterrey New York Life Mexico and AARP Operations. Prior to joining New York Life, Mr. Blunt was Chairman and Chief Executive Officer of Giving Capital, Inc., a wealth management solutions provider serving the financial institutions marketplace, from 2001 to 2004. Mr. Blunt served in a variety of senior marketing and distribution roles in the investment management industry. Mr. Blunt was the Chief Marketing Officer — Americas for Merrill Lynch Investment Managers and President of Mercury Funds Distributors from 1999 to 2001. Before working with Merrill Lynch, Mr. Blunt was a Managing Director with Goldman Sachs & Co., as well as the National Sales Manager for Goldman Sachs Funds, from 1996 to 1999. He currently serves as Chair of the Board of Directors of the YMCA of Greater New York. Mr. Blunt received a B.A. in History from the University of Michigan and an MBA in Finance from The Wharton School at the University of Pennsylvania.

Chief Financial Officer of F&G Group - John T. Fleurant

John T. Fleurant joined F&G Group as Chief Financial Officer in November 2019. Mr. Fleurant served in a number of senior leadership positions with New York Life Insurance Co. from November 2010 to April 2019, including Senior Vice President of Finance and Controller from 2010 to 2013, and Executive Vice President and Chief Financial Officer from 2013 to 2019. Prior to joining New York Life Insurance Co., Mr. Fleurant was the Financial Controller and Chief Financial Officer, U.S. Businesses of Prudential Financial. Mr. Fleurant received a B.A. in accounting from Widener University.

F&G Life Re Chief Executive Officer – Wendy J.B. Young

Wendy J.B. Young, FSA, MAAA, oversees risk management efforts for the F&G Group. Wendy joined F&G in 2000 as an actuary and has been involved in a broad range of actuarial and finance functions at the F&G Group. Wendy's leadership roles include capital management, Interim CFO during FGL IPO, former CEO of F&G Reinsurance Ltd., and current position as CEO of F&G Life Re Ltd.

Senior officers and senior roles

President and Chief Executive Officer	Wendy J.B. Young
Chief Financial and Operating Officer	Julia Hawkins joined F&G Life Re as the CFO and COO in April 2021. She is an experienced and certified CPA with over 10 years' people management experience in the financial services industry. Prior to joining F&G Life Re, Julia held the CFO position at Northstar Financial Services in Bermuda.
Chief Risk Officer	Gaurav Makkar joined F&G Life Re as the CRO in April 2021. He has more than 11+ years of extensive experience in Actuarial Reserving, Risk Management, Audit, Peer Review, Extensive Modelling, BSCR, Transactions Pricing and IFRS17. Prior to joining F&G Life Re, he worked as an Assistant Manager at KPMG Bermuda, and prior to that, Gaurav worked at various professional services firms and insurance companies in India.
Chief Compliance Officer/MLRO	Sue Santedicola joined F&G Group as Chief Compliance Officer of F&G Life Re and F&G Cayman Re in August 2020. Ms. Santedicola worked with EFG Bank, Cayman National Bank and Walkers in senior compliance roles before joining F&G Group. Ms. Santedicola also worked for Deutsche Bank (Cayman) Ltd. from 2007 to 2018 where she served as the Head of Compliance and Anti-Financial Crime. Ms. Santedicola was also a Director on the Boards of both Deutsche Bank (Cayman) Ltd. and Deutsche Bank International Trust Company (Cayman) Ltd. Prior to joining Deutsche Bank, Ms. Santedicola worked for both the Cayman Islands Monetary Authority and the Cayman Islands Financial Reporting Authority from 1997 to 2007. Ms. Santedicola received an LLB from Liverpool University in the UK (through the Cayman Islands Law School) and B.A from Ryerson University in Toronto Canada.

3.1.2. Remuneration policy

The Company's remuneration practices provide executive compensation consisting of base salaries, incentive compensation, and employee benefits. Base salaries are fixed cash amounts that are determined based on role and market conditions. Incentive compensation is contingent on performance-based metrics for the individual and the Company.

The program is designed to appropriately compensate employees, while encouraging the objective of long-term financial performance and operational decisions in line with the Company's business and strategy.

3.1.3. Supplementary pension or early retirement schemes

The F&G Group maintains retirement savings plans to provide retirement benefits to eligible employees.

3.1.4. Material transactions with key personnel

Not applicable for the year ended December 31, 2020.

3.2. Fitness and propriety requirements

The Company elects members of the Board and senior executives based on qualified expertise, experience, and satisfactory background screening. Descriptions of the members holding these current roles, detailing their professional qualifications and work experience are detailed in section 3.1.1 Roles and Responsibilities.

3.3. Risk management and solvency self-assessment

Risk management is a critical part of F&G Life Re's business. The business is assessed through a formalized process involving (i) identifying short-term and long-term strategic and operational objectives, (ii) development of risk appetite statements that establish what the company is willing to accept in terms of risks to achieving its goals and objectives, (iii) identifying the levers that control the risk appetite of the company, (iv) establishing the overall limits of risk acceptable for a given risk driver, (v) establishing operational risk limits that are aligned with the tolerances, (vi) assigning risk limit quantification and mitigation responsibilities to individual team members within functional groups, (vii) analyzing the potential qualitative and quantitative impact of individual risks, including but not limited to stress and scenario testing covering economic and insurance related risks, (viii) mitigating risks by appropriate actions and (ix) identifying, documenting and communicating key business risks in a timely fashion. The responsibility for monitoring, evaluating and responding to risk is assigned first to management and employees, second to those occupying specialist functions, such as legal compliance and risk teams, and third to those occupying supervisory functions, such as internal audit and the board of directors.

F&G Group's risk management policies and procedures are set out at the F&G Group level, which then applies to all subsidiaries. The F&G Group has implemented several limit structures to manage risk. Examples include, but are not limited to, the following:

- At-risk limits on sensitivities of regulatory capital to the capital markets provide the fundamental framework to manage capital markets risks including the risk of asset / liability mismatch;
- Duration and convexity mismatch limits;
- Cash and asset/liability liquidity management;
- Credit risk concentration limits; and
- Investment and derivative guidelines.

F&G Group manages its capital based on two key risk metrics:

- Regulatory Capital Sensitivities: the potential reduction, under a range of moderate to extreme capital markets stress scenarios, of the excess of available statutory capital above the minimum required under the NAIC regulatory RBC methodology; and
- Earnings Sensitivities: the potential reduction in results of operations over a 30-year time horizon under the same moderate to extreme capital markets stress scenarios. Maintaining a consistent level of earnings helps the F&G Group to finance its operations, support its capital requirements and provide funds to pay dividends to stockholders

F&G Group's risk metrics cover the most important aspects in terms of performance measures where risk can materialize and are representative of the regulatory constraints to which its business is subject. The sensitivities for earnings and statutory capital are important metrics since they provide insight into the level of risk that F&G Group takes under stress scenarios. They also are the basis for internal risk management.

F&G Life Re management developed appropriate risk tolerances, risk limits and risk appetite for local risk management which roll up into the overall F&G Group risk tolerances, risk limits and risk appetite. The F&G Group compiles a quarterly risk register and risk assessment for each operating subsidiary, with a results dashboard for each operating subsidiary and the F&G Group which is reported to and reviewed by the F&G Group Enterprise Risk Management (ERM) committee. F&G Life Re management also completed all of the Bermuda regulatory risk management, stress testing, and reporting requirements.

The Company's risk management policies and procedures are documented in the Risk Management Policy. This policy is prepared in accordance with the guidance Risk Management and Own Risk Solvency Assessment Model Act #505 ("RMORSA" or more commonly referred to as "ORSA") and ISO 31000.

The Company's risk management is governed by the Board of Directors. The Board of Directors take responsibility for the risk management program, provide governance and oversight, and ensure that any F&G Group risk management processes incorporating the Company's risk exposures are and remain appropriate and relevant for the Company. Risk management is a standing agenda item during every board meeting and a review of risk reports is included in each board agenda.

The following persons have these roles and responsibilities in relation to RM:

- (i) Board:
 - a. Determine strategic approach to risk and establish risk appetite; and
 - b. Understand emerging and significant strategic and operational risks;

- (ii) Chief Risk Officer ("CRO"):
 - a. Identify and assess the overall risks facing the Company on an ongoing basis;
 - b. Direct communications with board and stakeholders on risk topics;
 - c. Advise and support management and risk mitigation activities;
 - d. Final review and approval of official RM reports; and
 - e. Final review and approval of RM model results;

- (iii) Risk Modeller
 - a. Stress testing modelling; and
 - b. Economic capital modelling.

The Company relies upon the "Three Lines of Defense" approach:

1st Line – This line has the responsibility for originating insurance exposures in accordance with the stated objectives and strategies of the company. The President and Chief Executive Officer and the Chief Underwriting Officer are the senior leaders on the 1st Line;

2nd Line – This line has the responsibility for developing and managing an appropriate risk management framework which identifies, measures and monitors key risks of the company. The Chief Risk Officer and the Chief Compliance Officer are the senior leaders of the 2nd Line;

3rd Line – This line has the responsibility for providing independent assurance to the Board that the 1st Line is executing its responsibilities in accordance with the risk management framework established by the 2nd Line and that the risk management framework is effective. The 3rd Line is led by the Internal Audit Function, which is provided by the F&G Group.

3.4. Internal controls

The F&G Group sets controls at the group level, which then apply to all of the subsidiaries. The F&G Group, and therefore F&G Life Re, employs the COSO-2013 framework for SOX compliance. The F&G Life Re Chief Financial and Operating Officer will implement and execute controls for F&G Life Re. The F&G Life Re Chief Financial and Operating Officer will report to the F&G Life Re Ltd. CEO. In addition, FNF internal audit will perform financial and operational audits of F&G Life Re.

3.5. Internal audit

Internal audit responsibilities will be performed by the central F&G Group internal audit function. The Company's senior management team is responsible for:

- Arranging for a comprehensive annual internal audit on the implementation and adequacy of this Policy and related procedures (including, where appropriate, the procedures under other policies of the Company dealing with Risk Management);
- Ensuring that the internal auditors will have access to the Board of Directors; and,
- Presenting a report of the findings to the Board.

3.6. Actuarial function

Wendy J.B. Young, Chief Executive Officer of F&G Life Re, is a qualified actuary and is involved in a broad range of actuarial functions at F&G Life Re. Wendy is a qualified actuary and is involved in a broad range of actuarial functions at F&G Life Re, with the exception of the Approved Actuary role. The role of actuarial oversight will be owned by Gaurav Makkar, F&G Life Re's Chief Risk Officer.

The Approved Actuary role is outsourced to an internationally recognized professional services firm.

The actuarial function of F&G Life Re is supported by staff from FGLIC and reputable actuarial consulting firms. The Company ensures the fitness and propriety of any individuals performing the actuarial function.

3.7. Outsourcing

F&G Life Re expects that information technology and claims administration will be outsourced to F&G Group's U.S. team. Appropriate claims audit rights will be maintained in the reinsurance contract to allow local Bermuda employees to conduct reviews of reported claims as appropriate.

With respect to outsourced operations, such as claims management and IT, service provider agreements are executed before the commencement of business operations. The F&G Group's outsourcing policies and procedures are set out at the F&G Group level, which then applies to all subsidiaries.

4. Risk profile

The Company considers all risks that could affect its clients or the business of the Company. These risks include:

- (i) credit risk;
- (ii) insurance underwriting and reinsurance risks;
- (iii) investment risk (including use of derivatives);
- (iv) market risk (including liquidity risk);
- (v) strategic and tactical risks arising from the Company's business plan;
- (vi) concentration risk;
- (vii) legal and compliance risk;
- (viii) money laundering, terrorist financing and fraud risk; and
- (ix) operational risk (including outsourcing and business continuity management).

These risks are measured and monitored on an ongoing basis. All risks must be documented with assigned risk owners who are responsible for monitoring, reporting, and mitigating risks. Risks at all levels within the taxonomy have assigned owners who are responsible for the continuous monitoring and reporting of risk status as well as remediation of risk issues that may arise. The Company continuously monitors risks identified in the taxonomy using the annual risk assessments.

Stress testing is performed with at least a quarterly frequency. Stresses are applied to the base deterministic stress testing scenario and range from severe systemic stresses (like a financial meltdown) to adverse stresses like a mis-estimation of longevity. Stress testing results and the approach are reviewed by the F&G Group's Board of Directors during the annual review. The Board of Directors shall confirm that the Company's business plan is adequately accommodated in the F&G Group stress testing program.

5. Solvency valuation

The Company uses valuation principles outlined by the Bermuda Monetary Authority (“BMA”) in “Guidance Note for Statutory Reporting Regime”. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date). The solvency basis is the Bermuda Economic Balance Sheet (“EBS”), where all assets and liability values are calculated in accordance to the Bermuda EBS rules and regulations.

- (i) **Assets**
Assets are held at fair market value.

- (ii) **Technical Provisions**
F&G Life Re expects to use the scenario-based approach for determining the best estimate liabilities in the Bermuda Economic Balance Sheet framework. The technical provisions as of December 31, 2020 were as follows:

	2020 ('000s)
Best Estimate Liability	2,743,667
Risk Margin	6,879
Technical Provisions	2,750,546

- (iii) **Reinsurance Recoverables**
F&G Life Re uses retrocession agreements to reduce its net exposures to loss on assumed business. The agreements provide for recovery of a portion of underlying loss and loss adjustment expenses. The Company remains liable to its cedants irrespective of whether retrocessionaires meet their obligations under the agreements.

- (iv) **Other Liabilities**
Other liabilities follow the valuation principles outlined by the BMA’s “Guidance Note for Statutory Reporting Regime” which values liabilities using a fair value basis for EBS.

6. Capital management

6.1. Eligible capital

6.1.1. Capital management policy and processes

The primary capital management objectives of the Company are to maintain a strong capital base to support the development of its business and to meet regulatory and rating agency capital requirements at all times.

F&G Life Re's capital position will be measured and monitored using the Bermuda Economic Balance Sheet framework.

6.1.2. Eligible capital categorized by Eligible Capital Rules

To enable the BMA to better assess the quality of the insurer's capital resources, a Class C insurer is required to disclose the makeup of its capital in accordance with a "3-tiered capital system". Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. As of December 31, 2020, the eligible capital is categorized as follows.

	2020 ('000s)
Tier 1	367,431
Tier 2	0
Tier 3	0
Total	367,431

6.1.3. Transitional arrangements under the Eligible Capital Rules

Not applicable.

6.1.4. Factors affecting availability and transferability of capital

Not applicable.

6.1.5. Ancillary capital instruments approved by the authority

Not applicable.

6.1.6. Differences in shareholder's equity in financial statements vs available capital and surplus

Not applicable.

6.2. Regulatory capital requirements

6.2.1. ECR and Minimum Margin of Solvency at the end of the reporting period

Under the Bermuda Insurance Act, the Company is required to maintain SFS capital and surplus to meet the Minimum Margin of Solvency (MMS) which is equal to the greater of \$500,000 or 1.5% of SFS assets. The MMS is subject to a floor of 25% of the Enhanced Capital Ratio (ECR). The Company met the minimum requirements.

At the end of the reporting period, the regulatory capital requirements were as follows:

	2020 ('000s)
Statutory Capital (EBS)	367,431
Minimum Margin of Solvency	87,881
Enhanced Capital Requirement	137,965
MMS Ratio	n/a
ECR Ratio	266%
Transition ECR	113,629
Transition ECR Ratio	323%

6.2.2. Non-compliance with the Minimum Margin of Solvency and the ECR

The Company was compliant with the MSM and ECR requirement at the end of the reporting period.

6.2.3. Non-compliance, remedial measures taken and their effectiveness

Not applicable.

6.2.4. Description of the amount of the non-compliance at the end of the reporting period

Not applicable.

6.3. Approved internal capital model used to derive the ECR

6.3.1. Purpose and scope of the business risk areas where the internal model is used

Not applicable - the Company has not applied to have its internal capital model approved to determine regulatory capital requirements.

6.3.2. Partial internal model and integration with the BSCR model

Not applicable.

6.3.3. Description of methods used in the internal model to calculate the ECR

Not applicable.

6.3.4. Description of aggregation methodologies and diversification effects

Not applicable.

6.3.5. Differences in methods and assumption used in internal model vs BSCR model

Not applicable.

6.3.6. Description of the nature and suitability of the data used in the internal model

Not applicable.

6.3.7. Any other material information

Not applicable.

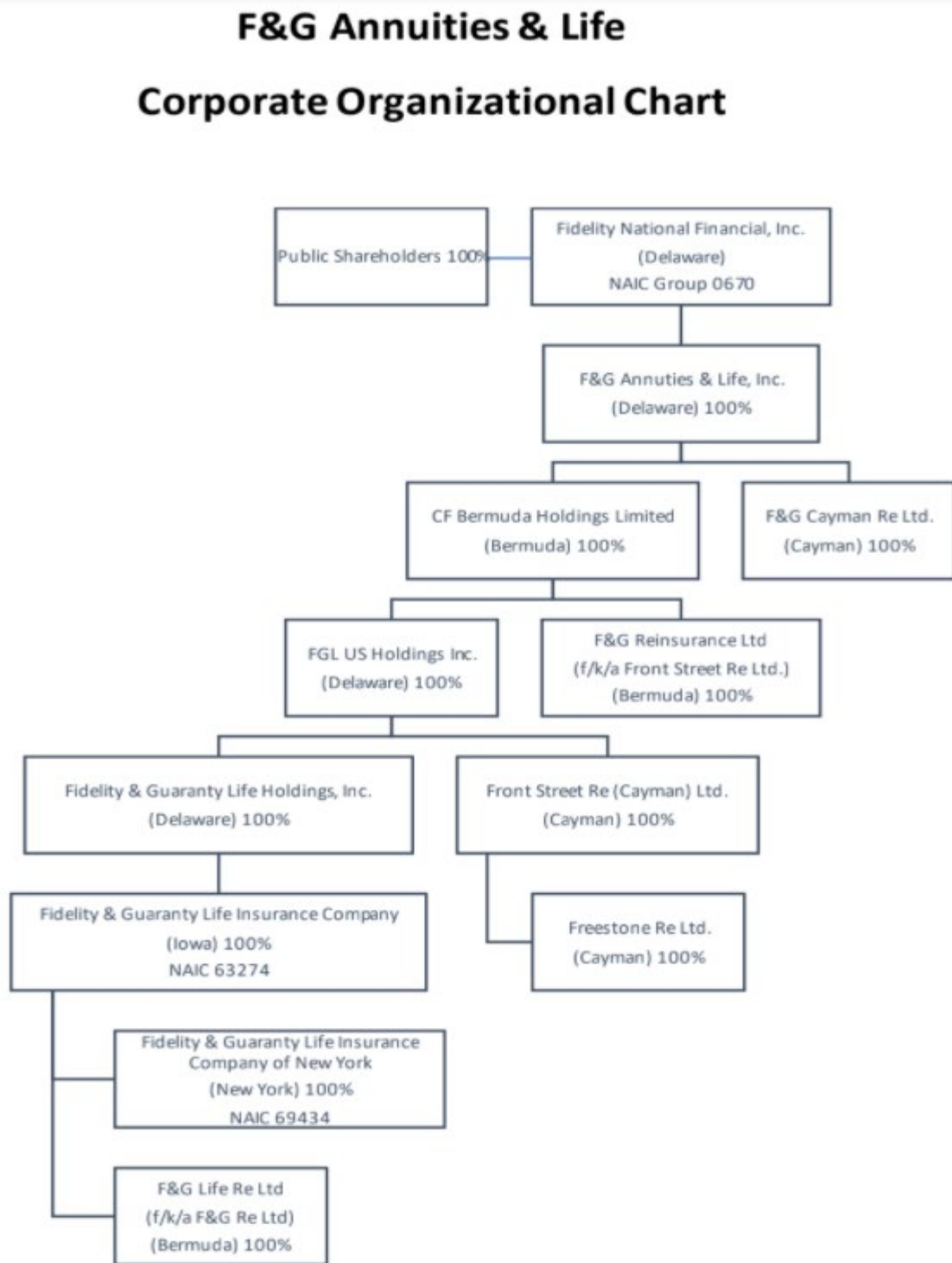
7. Significant events

COVID-19

On March 11, 2020, the World Health Organization (WHO) declared COVID-19 as a pandemic. There have been multiple government and central bank responses to impose restrictions on limiting the spread and supporting economic conditions and financial markets during the pandemic. To ensure business sustainability, F&G Life Re along with its parent company, Fidelity National Financial (FNF), activated its Business Continuity Plan. Fidelity & Guaranty Life Insurance Company, F&G Life Re's direct parent, created a COVID task force and appointed individuals to be the point of contact for each of its local operations as they require support in addressing COVID-19 issues. All Bermuda-based employees have the ability to work from home and are aided by support services throughout the US. We are tracking local directives and advisories related to confirmed diagnoses, travel limitations, and school or other closures. Employees have been advised to avoid travel to any affected areas and any non-essential air travel or other forms of public transportation. We have postponed or cancelled upcoming events, conferences or meetings, and asked our employees to use web-based meeting tools, video or telephone conferences instead, when available. Our number one goal is ensuring the health and safety of our employees, business partners, and consumers. At the time of this writing, the extent of the impacts of the COVID-19 pandemic are highly uncertain. However, the 12/31/2020 insurance technical provisions have been determined consistent with BMA standards. Moreover, there are no reasonably foreseeable conditions and limitations identified relevant to the determination of the technical provisions specific to F&G Life Re's business and circumstances.

8. Appendices

8.1. Group structure



8.2. Performance of investments by asset class

F&G Life Re's investment strategy is designed to (i) achieve strong absolute returns, (ii) provide consistent yield and investment income, and (iii) preserve capital. All decisions are based on fundamental, bottom-up research, coupled with a top-down view that respects the cyclicity of certain asset classes. The performance of investments by asset class for the reporting period are detailed in the table below.

BSCR Asset Class	Market Value (%)	Market Yield (%)
CMBS & ABS	39.5%	4.3
Cash	0.4%	0
Corporate & Sovereign Bonds	51.4%	3.6
Commercial Real Estate	3.0%	12.0
Preferred Stock	5.4%	3.4
RMBS	0.3%	4.8
Total Portfolio	100.0%	4.1

9. Declaration

To the best of our knowledge and belief, we the undersigned confirm that the Financial Condition Report fairly represents the financial condition of the Company in all material respects.



Julia Hawkins
Interim Chief Executive Officer